

5291

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Statement to the Labor and Public Employees Committee

Tuesday, February 28, 2012

My name is Professor Johnny E. Williams and I support H.B. No. 5291's call to increase the minimum wage. Though I made my case for this important bill in a recent op-ed in the Hartford Courant newspaper (I attached the op-ed to my testimony for the committees' perusal), I would like to support my argument for H.B. No. 5291 with a few more comments. There is growing consensus among social scientists that raising the minimum wage increases consumption and grows the economy. It reduces turnover and helps employers compete on a more level playing field, moving businesses away from a high turnover low-human capital investment model to one where workers stay attached to the workforce after employers commit to retaining and training them. Taxpayers are better off with the latter approach because employers' commitment to provide their employees with the skills necessary to perform their jobs will lessen the need for government assistance programs like Medicaid.

I know that among some of your colleagues the refrain is that "this is not the time to raise the minimum wage". The only answer I can give to their hesitancy is that academic research rebuts their concerns and apprehensions. Studies indicate that the best time to raise the minimum wage is during a recession for the simple reason that paying workers more will increase employment. This is so because workers with more money to spend increase demand for goods and services. Frankly, I would like to know when there was a minimum wage increase that was well timed according to the timetable of those who do not ever contend with trying to scrape by on the minimum wage?

I would like to end my testimony with this telling fact about the sad and deplorable state of the minimum wage in our nation and state: currently the U.S. minimum wage is \$7.25 (CT=\$8.25). Adjusted for inflation using the Consumer Price Index it should be \$9.16 (CT=\$10.16). Adjusted for wage growth using the Average Wage Index (based on the changes in people's average annual wages over time) it should be \$10.74 (CT=\$11.74), similar to the minimum wages found in other countries. Therefore, from my perspective a \$1.50 minimum wage increase is too little for hard working Connecticut workers. Had the minimum wage been indexed to per capita personal income growth starting in 1974 when the national minimum wage was \$2, the minimum wage today would be \$14.41 (CT=\$15.41) an hour. This all suggests the time to lay the path for a more livable and just wage is now when the state's economy and workers need it the most.

Thank you for listening and considering my testimony for increasing the minimum wage.

courant.com/news/opinion/hc-op-williams-raise-connecticuts-minimum-wage-021-20120219,0,6346135.story

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OTHER OPINION

Higher Minimum Wage Good For Workers, Economy

By JOHNNY E. WILLIAMS

The Hartford Courant

February 19, 2012

A proposal to raise Connecticut's minimum wage will benefit low-income workers and boost the state's economy. Opponents of the plan to increase the current minimum wage of \$8.25 an hour by \$1.50 and to index it to rise with inflation have made arguments that obfuscate the issue and confuse the public.

Proponents for the minimum wage increase argue it is currently too low to serve as a livable wage while critics claim raising it hurts employers and stifles economic growth. According to Minimum Wage.org, the average full-time minimum wage earner in Connecticut working 40 hours a week, 52 weeks a year, earns \$66 per day, \$330 per week, and \$17,160 a year, which after taxes is roughly \$15,380 or very close to the national poverty line of \$14,570 per year. This is insufficient to support one person in Connecticut, let alone a family whose sole breadwinner is a minimum wage worker.

Opponents of a minimum wage increase argue that mandating a higher minimum wage would force businesses to cut other expenses to pay for the wage hike. Because consumers are not willing to pay the extra cost for higher-paid employees, businesses have to reduce their workforces and make the remaining employees work harder and more efficiently to keep their product price low.

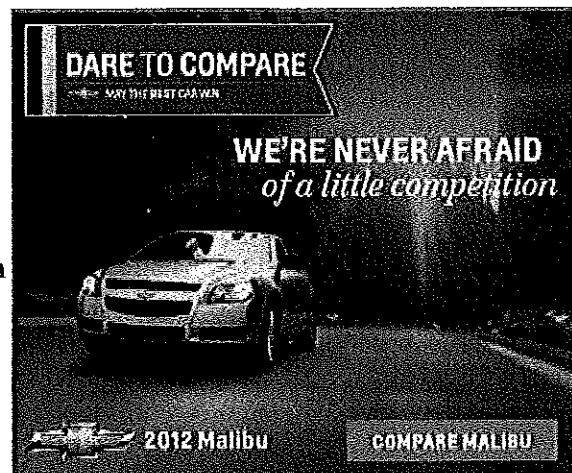
Opponents also contend a wage increase would lead businesses to not hire young or inexperienced workers because they cannot afford to pay the higher hourly price for their labor. Given this, opponents conclude the damage caused by a minimum wage hike would offset any economic benefits created by workers' extra spending power.

Is this really the case?

Academic research debunks the notion that increasing Connecticut's minimum wage to \$9.75 will impede economic growth. In fact, two key studies over the past two years provide definitive and compelling evidence about the effect of raising the minimum wage.

The first study published in November 2010 in the Review of Economics and Statistics by economists

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Arindrajit Dube, T. William Lester, and Michael Reich reveals that increasing the minimum wage during a recession or periods of high unemployment has no adverse effect on employment or economic growth.

In the second study, published in April 2011 in the journal *Industrial Relations*, Syliva Allegretto, Arindrajit Dube and T. William Lester found minimum wage increases had no negative affect on teen employment levels or hours worked. These findings support earlier economic studies showing that employment slightly increases rather than declines when the minimum wage is raised.

Why is this so? Dube, Lester and Reich contend minimum wage increases significantly reduce low-wage worker turnover, boost worker efforts, encourage employers to invest in training for their workers and spur consumer demand for goods and services. This explains why our closest neighbor, Canada, with a minimum wage (depending on the province) of \$9.40 to \$11 in U.S. dollars and friends, the United Kingdom (\$10), France (\$12.44) and Australia (\$15.59) usually never complain about increasing compensation for low-skilled workers. Business leaders within these nations understand that a living wage leads to higher employee retention that translates into substantial savings in recruitment and training.

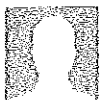
As John Griffith-Jones, the chairman of the global firm KPMG in the United Kingdom, put it: "We have found that paying the living wage results in higher levels of motivation, loyalty and productivity. Turnover amongst staff receiving the living wage has more than halved." Prominent corporations such as Goldman Sachs, JP Morgan and Morgan Stanley have voluntarily adopted the living wage in the UK because they know it helps rather than hinders their bottom line.

Increasing the minimum wage a paltry \$1.50 and indexing it to inflation will expand Connecticut's economy rather the shrink it. Providing low-skilled workers with the ability to support themselves and their families is good economic policy.

So, even while in the middle of the Great Recession, policy-makers should feel confident that increasing the minimum wage is the right thing to do, and will have few, if any, negative effects on employment. Furthermore, this small but positive policy step will reassure state residents that their political representatives in Hartford are working to further opportunity for all, not just for the wealthy few.

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